



# Farm Loan Programs Funding

## Frequently Asked Questions

### ***Someone at the FSA office told me the loan program I need to apply for is out of money. Why does FSA run out of money?***

Each year Congress appropriates money for FSA farm loans as part of the USDA budget. The funds are appropriated for the Government's fiscal year, which runs from October 1 until September 30 of the following year. The amount of money appropriated by Congress does not always meet the demand for loan funds and the Agency may run out of money for some programs.

### ***The local office tells me they are out of loan money. But I know people in other areas are getting loans. How can this be?***

Each year, when FSA receives loan money in the budget, every state receives an allocation of money from the Agency. So, one state can deplete its funds and be out of money while other states are still funding loans.

### ***What does FSA do when states start running out of money in loan programs?***

When funds in a loan program start to run low and many states are out of money, the Agency will usually pool funds. Pooling means taking all of the unused loan money from the states and placing it in a National Headquarters pool. By pooling, FSA is able to move money from areas where it is not being

used to areas where it is needed. If there is enough left, the money will be redistributed to states. If there isn't much left, the money will be held at the national office, and states can request funding on a loan-by-loan basis. Pooling of unused loan funds most commonly happens in the spring.

### ***What happens when an FSA loan program is out of money?***

Congress may pass a supplemental appropriations bill to make additional money available. If Congress does not appropriate additional money, loans cannot be funded until the next fiscal year when new appropriations become available.

### ***How does FSA allocate money to the states to make loans?***

The Agency allocates money based upon the potential need for it. Money is allocated to states based upon the number of farmers in each state, the value of farm assets, and net farm income. The biggest factor in dividing the money among the states is the number of farmers in each state. The loan volumes of previous years are sometimes considered as well. FSA does not allocate emergency loan money to states because it is impossible to predict the occurrence of natural disasters. Instead, FSA makes money available for loans when a natural disaster is declared. Emergency loan money is available on a first-come, first-served basis.

### ***Is any of the money targeted or reserved for use by specific groups of farmers?***

Yes. FSA reserves loan money for two specific categories:

**Under-represented groups:** The law requires FSA to reserve or target a portion of its direct and guaranteed operating and farm ownership loan funds for use exclusively by socially disadvantaged applicants (SDA).

SDAs are classified in one or more of the following categories: women, African Americans, Native Americans, Alaskan Natives, Hispanics, Asians, and Pacific Islanders. In the farm ownership loan program, the percentage of loan funds targeted for SDAs is based upon the state percentage of the total rural population made up of SDA groups, and the statewide percentage of total farmers who are female. In the operating loan program, the target is determined by the statewide percentage of total farmers from the SDA minority group, and the statewide percentage of total farmers who are female.

**Beginning Farmers:** The law also requires FSA to reserve or target loan funds for exclusive use by beginning farmers, as follows: Direct Operating, 35 percent; Guaranteed Operating, 40 percent; Direct Farm Ownership, 70 percent; Guaranteed Farm Ownership, 25 percent. Funds remain targeted for beginning farmers in the guaranteed programs until April 1 of each fiscal year. In the direct programs, funds are targeted for beginning farmers until September 1 of each fiscal year.

***When a loan program is out of money, should I still apply for a loan?***

**Yes!!** Even when money has run out for a loan program, FSA still accepts, processes, and approves loan applications. Approved loans are held until money becomes available. Loans are funded in date order, based on the date that the application was received. Submitting an application sets your place in the waiting line for funds, so it is to your advantage to apply for a loan even when there is no money available.

***My application is approved, but there is no money available. How can I find out where I stand and when there will be money for my loan?***

Usually when this happens, the county offices are required to submit information about approved loans to the state office. The state office staff sets up a waiting list for the state using the loan application dates. The county office can tell you if your loan has been sent to the state office and its status for funding.

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